



Department of Energy
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MEMORANDUM FOR DISTRIBUTION

FROM:

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SUBJECT: ACQUISITION STRATEGY – SAMPLE AND GUIDANCE TOOL #2

The attached Acquisition Strategy – Sample and Guidance Tool #2 for a Low Risk, Non-Complex Design-Build Construction Project provides federal project directors and their federal integrated project teams (IPTs) a sample format, tailored to the DOE M 413.3-1, Project Management for the Acquisition of Capital Assets approved by the Deputy Secretary on March 28, 2003. This tool and other samples are also available electronically at <http://oecm.energy.gov> under References and Guides. This sample and guidance tool meets the Department's intent for project Acquisition Strategy development required by DOE M 413.3-1. Chapter 2 of the Manual requires an Acquisition Strategy that accounts for project risks and mitigation strategies for each project as part of Critical Decision – 1, Approve Alternative Selection and Cost Range. Chapter 5 provides amplifying information on the implementation of the requirements for the Acquisition Strategy content and submission requirements and allows for tailoring based on the size, risk, and complexity of a project.

This sample Acquisition Strategy has been tailored to the guidance based on its relatively low total project cost range and risk, performance-based commercial office building specifications, and design-build method of delivery. The guidance allows for further tailoring if the project involves consolidated decisions, abbreviated or substituted equivalent project documentation.

The Office of Engineering and Construction Management (ME-90) for the Office of Management, Budget and Evaluation reviews Acquisition Strategies, resulting in comment and recommendation to the approving official. Draft Acquisition Strategies may be submitted to ESAAB.SECRETARIAT@hq.doe.gov for early ME-90 review, after the federal project director, contracting officer and program office project management support office staff have reviewed and concurred. Program offices and federal IPTs may request further assistance with development of Acquisition Strategies from Walter Howes at (202)-586-8254 or Donette Cappello at (202) 586-4183 of my staff.

Attachment

Distribution:

Program Secretarial Officers

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Procurement Directors, ME-60

NNSA Deputy Administrators, NA-63, NA-50, NA-11, NA-12

ACQUISITION STRATEGY - SAMPLE AND GUIDANCE TOOL #2 For A Low Risk, Non-Complex, Design-Build Construction Project

March 30, 2004

Project Title: Los Alamos Site Office Building (LASOB)
Lead Program & Project Office: National Nuclear Security Administration (NNSA),
Los Alamos Site Office (LASO)
Total Project Cost (TPC) Range: \$7.0M – \$8.0M

CD – 0 Approve Mission Need - Approval Date, Approving Official and Material Changes
CD-0 approval of the LASOB Project was given by Dr. Everet Beckner, Deputy Administrator for Defense Programs, on July 08, 2003, with a TPC range of \$7.0M - \$8.0M. There have not been material changes in mission need, mission need date, major project milestones or contract type since CD-0 approval.

1. Desired Outcome and Requirements Definition

Summary Project Description

The project consists of the design and construction of a new office building for NNSA operations in support of missions assigned to Los Alamos National Laboratory (LANL). This building will require all utility tie-ins, site preparations, security access control, and telecommunications linkages to systems primarily maintained by LANL's M&O contractor. No hazardous materials will be located in this facility. The project is listed in LANL's Comprehensive Ten Year Site Plan and replaces the current site office.

Performance Parameters Required to Obtain Desired Outcome

This project must be completed by August 2008, in order to meet the terms of the land transfer agreement between the DOE and Los Alamos County addressed in Public Law 105-119. Other key performance goals include:

- The building (as conceptually designed) will be a two or three story, approximately 35,000 - 40,000 square feet structure, which is consistent with the Functional and Operational Requirements (F&OR) document. The exact size of the structure is dependent on the type of design and equipment that the design-build contractor will provide.
- The project will include commercial office furniture for 135 employees +/-5%.
- The structure will be required to be silver certified under the Leadership in Energy and Environmental Design (LEED) criteria.

The performance parameter ranges will be narrowed and finalized at CD-2. Excess buildings 12-86 and 12-87 from the 1940's occupying approximately 50,000 square feet at LANL will be demolished in FY 2007 as part of this project scope.

2. Cost and Schedule Range

Total Project Cost Range

The Alternatives Study for the Los Alamos Site Office Building dated April 25, 2000, provides detailed information on the cost considerations used for operating and maintenance, D&D of the existing facilities, and is risk adjusted. The analysis concluded with the preferred option being a new facility near the LANL M&O contractor as it appears this alternative is the least life-cycle cost (LCC), best mitigation of risks and best overall benefit to the Government. The assumptions included expressing costs in 2004 dollars and included the cost of acquiring land for the

alternative outside the fenced LANL area. The federal integrated project team (IPT) considered the following six alternatives:

Alternatives	25 Years Operating (M)
New facility near LANL M&O	\$23,000
Relocating into & Expanding LANL facility	\$26,000
Third Party Capital/Alternative Financing	\$27,000
Lease commercial space outside LANL	\$31,000
Lease with USPS	\$33,000
Move & Upgrade Existing Facility	\$36,000

Table 1: Summary Life-Cycle Costs

The TPC range of \$7.0 - \$8.0M was developed for the preferred alternative with support of an independent government estimate (IGE) prepared for the project in October 2003. That TPC range includes \$.6 - \$1.0M for existing site office D&D and \$.7 - \$.8M for contingency. Funding for the land transfer was provided to LANL through special appropriations in FY 2004.

Funding Profile

Total funding requirements are consistent with the FY05 Project Data Sheet for Line Item 05-D-102. The design-build contract includes costs for equipment. The funding profile falls within the Program’s out year budget target.

	FY05	FY06	FY 07	FY 08	Total (\$M)
Design-Build Contract	XX	XX	XX	XX	XX
PM/Other	XX	XX	XX	XX	XX
Total	XX	XX	XX	XX	\$8.0

Table 2: Funding Profile

Schedule Range and Key Milestones

The major planned schedule milestones are as follows:

Description	Planned Fiscal Year	Completed/Approved Calendar Date
CD-0 Approve Mission Need	4Q2003	7/08/2003
CD-1 Approve Alternative Selection and Cost Range	3Q2004	
NEPA Approval/Update	3Q2004	
Complete Performance Specification	3Q2004	
Issue Design-Build Solicitation	1Q2005	
Award Design-Build Contract	1Q2006	
CD-2 Approve Performance Baseline (Review/Approve Design)	3Q2006	
CD-3 Approve Start of Construction	1Q2007	
CD-4 Approve Start of Operations/Project Closeout (Project Completion/Acceptance)	3Q2008	

Table 3: Major Project Milestones

We have high confidence in both the TPC and schedule ranges based on the detailed comparisons to other commercial office buildings, the IGE and LCC analyses.

3. Major Applicable Conditions

Environmental, Regulatory and Political Sensitivities

The proposed action includes surface disturbance and new construction activities that have been addressed and reviewed in the NEPA review performed and updated in 2004. No political sensitivities are foreseen on this project. Regulatory permits for storm water and pollution prevention will be filed with the appropriate agencies prior to the on site/construction activities.

Others

The initial security requirements for this project have been coordinated with LANL's Security Division, and the site office's technical security personnel. NNSA/LANL badging will be required to access the construction site with no Q or L clearances required. The project construction area will be isolated into a Controlled Access area during construction. There are no additional laws, agreements, or other factors to significantly influence this project.

4. Risk and Alternatives (Technical, Location, & Acquisition Approach)

(NOTE: This element should summarize the rigorous evaluation of the possible alternatives across all key risk discriminators. A numerical weighting or ranking approach (high, medium or low) is often very useful as a methodology for documenting the Federal IPT's process and conclusion. First, summarize the major technical, site location and acquisition alternatives listing the pros and cons for the range of solutions considered. Second, discuss the associated range of risks for the selected alternative. The depth of analysis for each risk category will vary by project type, ranging from not applicable to very extensive. Project planning conducted after CD-0 and prior to CD-1 also requires a description of alternative solutions the IPT considered for accomplishing mission need that the project was expected to satisfy; a description of the results of the feasibility/performance/benefits analysis; and a comparison of the returns (financial and other) for each alternative. This is consistent with OMB A-11, Part 7 that requires the alternative analysis include three viable alternatives, that alternatives be compared consistently, and the alternative chosen must provide benefits and a summary of the reasons for the choice.)

Technical Alternatives Analysis

The Alternatives Study for the Los Alamos Site Office Building dated April 25, 2000, provides details on the life-cycle cost analyses criteria. The analysis considered six alternatives, a new facility, relocating into and expanding the LANL facility, moving and upgrading the current facility, leasing commercial space outside LANL, leasing with the U.S. Postal Service (USPS) and third party capital/alternative financing. The pros to the new facility alternative are they replace a 55 year old facility with one that meets applicable Federal codes and standards, commercial building practices, as well as site-specific security and communication needs of NNSA. Alternatives inside the fenced area provide greater employee security. The major new facility cons are the six months longer schedule and additional NEPA requirements. Moving and upgrading the existing facility to current security and environmental standards is not feasible considering the 55 year old facility. The maintenance costs will continue to escalate on the old building support systems already past their life cycles. The cons for the lease from USPS are the timing of the availability of the space (estimated in FY 2010) and layout configuration requiring major modifications. The analysis concluded with the preferred option a new facility near LANL based on least life-cycle costs, risk mitigation and overall benefits to the Government.

Location Alternatives Analysis

The Alternatives Study evaluated four locations on-site with the preferred location next to LANL on

the southeast corner of Atoll and West Roads. This site is the most favorable due to its proximity to LANL to improve efficiency, communications, and productivity for LASO site staff. The alternatives on-site at LANL will have essential integration requirements with the site operations contractor; however, the off-site alternatives have far greater security concerns to address. Each site was evaluated per the new Design Basis Threat guidance, including anti-terrorism considerations. The availability of leasing commercial space outside LANL was determined as almost nonexistent. If this facility could be sited on private or federal land that could be titled over to a private developer, their third-party capital could be a very attractive option. However, this alternative is not appropriate as this office building is best sited at a location which is already federal land and granting title to the land to a private developer is not practical. Building a privately owned facility on federal land is not financeable.

Acquisition Alternatives Analysis

The Acquisition Alternatives Study considered using various contracting methods including the LANL M&O contractor, NNSA direct competition contract and management, and NNSA competition and award with design and construction management assignment to the Army Corps of Engineers. NNSA site management supports the recommendation to manage this project as a direct NNSA contract, set-aside for small business. This approach supports the NNSA small business initiative and is the least cost alternative. Although NNSA will contract direct, LANL subject matter experts will be utilized, as necessary, to perform a few technically specialized project activities unique to LANL.

Two specific methods of acquiring this facility were considered as follows:

(1) Design-Build – The funding is consistent with the Integrated Construction Program Plan (ICPP) and the Future Years Nuclear Security Program (FYNSP). Funding is requested to support design-build and is linked to line item 05-D-102. The schedule efficiencies gained by using design-build will allow NNSA to transfer the parcel of land to the Los Alamos County by the scheduled time frame of August 2008. The straightforward design and construction aspects and performance specifications of this Federal administration building support the design-build project delivery method. The performance work statement developed in 2000 will be updated to save time and will form the basis for the design-build, firm-fixed price best value solicitation. Based on these considerations, this method is preferred.

(2) Design-Bid-Build – Due to schedule constraints of approximately 60 months required by the Los Alamos County land transfer agreement, this method was discounted. In addition, the time needed to solicit and award each phase would have exceeded the schedule by approximately 12 months. In addition, LASO believes design-bid-build has slightly higher level of cost and schedule risk to the Government. Based on these considerations, this is not the preferred method.

Project Risk Analysis:

A Preliminary LASOB Risk Management Plan dated January 15, 2004, is summarized below.

Cost Range

Cost risk should remain low based on the acquisition planning and project management efforts defining a clear performance work scope (e.g., Functional and Operational Requirements Document, performance design requirements), minimizing facility requirements changes, establishing a clearly defined process for all changes, and utilizing standard construction practices and commercially available equipment. Risk will also be minimized by ensuring the design-build contractor is accountable for commissioning, developing a phased turnover of building spaces,

and preparing pre-readiness assessments.

Schedule Range

Schedule risks are considered medium at this early stage of the project. The primary sources of schedule risk will come from the potential to be delayed for heightened levels of security, delays associated with the construction of an access road to the adjacent property, and any unforeseen site conditions that may be encountered. These risks will be minimized by employing preventive actions including reviewing and documenting existing conditions, addressing all potential impacts fully prior to the final design phase and initial site work, and applying quality assurance measures during both the design and construction phases. Reduction of schedule risk will be achieved by several mitigating actions to be addressed through the development of the design-build solicitation and associated evaluation criteria for evaluation of offers.

Funding Range and Budget Management

The funding is currently built into the FY 05 Project Data Sheet and site plan. The probability of disruption due to lack of funding availability is low to medium but the impact of a delay in funding jeopardizes the land transfer schedule. The principal mitigation is frequent dialogue with DOE/NNSA HQ Program Office (NA-11/117).

Technology and Engineering

There are no technology or engineering risks that will impact the project. The majority of work is standard design and construction practice. This risk is low.

Interfaces and Integration Requirements

The most critical interfaces will be ongoing site operations with LANL's M&O contractor. The logistics are being worked out with the M&O contractor in order for the construction site to be isolated for construction activities. This risk is low and is mitigated by the awareness of the LANL's operations and an agreement to have vehicle and pedestrian flow mapped out prior to construction. Being an NNSA held contract, integration with the design-build contractor, construction management support and LANL M&O personnel will occur on a daily basis.

Safeguards and Security

Construction of the LASOB will not require Q or L clearance badges but will require contractors to obtain general DOE LANL site badging. The project construction area will be isolated into a Controlled Access area during construction. Contractors will be required to have a Site-Specific Safeguard and Security Plan. Some schedule risk may occur if a heightened security is directed at LANL or nationally. Security risk is medium to meet Department of Homeland Security requirements for Federal buildings. Risk of impact to TPC from this area is low to medium.

Location and Site Conditions

Other construction projects adjacent to the site provide a baseline for soil and ground conditions as well as the geotechnical investigation report which will be provided in the solicitation. Utilities are located around the perimeter of the site and tie-ins should pose a very low risk. Existing sewage and water lines will be relocated and have been considered a very low risk. No land acquisition is required, as the site is located on DOE land. The Alternatives Study concluded that most sites require some upgrades to egress and ingress to adjacent facilities. Risk is low if the egress and ingress upgrades can be accomplished prior to contractor mobilization.

Legal and Regulatory

There are no legal or regulatory issues at this time. The only major permit required for construction is a storm water permit. The risk to obtain this permit is low.

Environmental, Safety and Health (ES&H)

This will be a factor in selecting the design-build contractor. Safety performance is weighted in the solicitation evaluation criteria in the RFP. The risk of impact from ES&H concerns is low.

Stakeholder Issues

There are no local community concerns with the proposed new LASOB. Los Alamos County is very interested in obtaining the land the current facility is located upon under the land transfer public law. The risk is considered low.

Conclusion

Based on the identified risks, life-cycle costs, and anticipated benefits to NNSA, the LASO will perform all acquisition activities. DOE/NNSA and support contractor resources will manage the project in conjunction with minor support from LANL engineering disciplines. LASO will manage the inspection of construction work in progress to ensure compliance with the performance specifications, required field tests, quality to meet acceptance criteria, and all proposed field changes review and approval by the Design Authority.

5. Business and Acquisition Approach

Competition

Competitive Small Business Set-aside – This procurement will be set-aside for small business. Based on an initial marketing analysis performed it has been determined that the market can support this acquisition. The Small Business Program Manager at the NNSA Service Center supports this approach.

Acquisition and Contract Types

The design-build contract will be placed on a firm-fixed-price basis for meeting the performance specifications. It is expected that the design-build specifications are sufficiently detailed to allow prospective small business design and construction firms/teams to formulate firm-fixed price offers without excessive contingency and allowances. In summary, these are the major contract types that are contemplated:

1. Design-Build Contract - Firm-fixed price best value contract to a small business awarded and administered by the NNSA LASO and NNSA Service Center.
2. Engineering Support Service Contract - Time and materials contract awarded and administered directly by the LASO to a small business.

Incentive Approach/Linkage to Performance Metrics

The LASOB design-build contract will not include incentive clauses. It will be firm-fixed price contract with fixed duration. The risk for completion is on the contractor. The contractor will be paid based on milestone completion provided as part of proposal submittals.

6. Management Structure and Approach

Identify IPT, Organization Structure and Staffing Skills

All Federal IPT members participated in developing this acquisition strategy.

Name	Title	Organization	Phone Number
Shahzaman Jaghoory	Program Site Liaison	NNSA/HQ/NA-117	301-903-1234
Everett Trollinger	Federal Project Director, IPT Lead,COR	NNSA/LASO/	505-667-1234
Dan Saiz	Contracting Officer	NNSA Service Center	505-845-1234
Frank Ward	Security	NNSA/LASO/SM	505-665-1234
Joanne Wolfe	Capital Budget Advisor	NNSA/NA-62.2	301-903-1234
Tom Hornsby	LASO General Counsel	NNSA LASO	505-667-1234
Elizabeth Withers	NEPA Compliance Officer	NNSA/LASO	505-667-1234
Eric Trujillo	LASO Building Manager	NNSA/LASO/OPM	505-665-1234

Table 6: Federal IPT

No additional unique Federal staffing skills are required to manage this low risk, non-complex building construction project. Coordination has been initiated with DOE HQ Alternative Financing Working Group and certified Realty Specialists.

Approach to Performance Evaluation and Validation

Project performance will be updated monthly in the DOE Project Assessment and Reporting System (PARS) based on progress reporting from the design-build contractor. This project has been in PARS since CD-0 approval. This reporting requirement will be made part of the design-build contract. Project changes will be identified, controlled and managed through a traceable, documented change control process defined in the design-build contract. The LASOB Project Director with other NNSA federal technical support staff will monitor the progress of the LASOB project through surveillance of work, field visits and a variety of monthly status reports and meetings. The NNSA Project Management Support Office has performed a Conceptual Design Review and plans to complete independent project cost and schedule validations annually.

Interdependencies and Interfaces

It is anticipated that there will be only a few minor pieces of government furnished equipment for the design-build contractor for installation in the LASOB Project, such as proprietary security alarm components, access control stations, sensors and other communication specialties. The design-build contractor will be furnished electricity and water utilities by LANL. LANL will turn over the following site documentation to the design-build contractor: telecommunications cabling (voice, data, communications manholes, duct banks and service entrances), topographical features, and exterior utilities profiles. The subcontractors will be required to coordinate with other LANL subcontractors at the site. In particular, the contractors must obtain safeguards and security support and certain essential services, e.g., utilities and water, from LANL and LASO.

DOE at LANL has a Site Utilization and Management Plan signed by NNSA and the Office of Science dated June 4, 2003, which considers program activities at the site in the context of all programs at the site and is a master strategy for the site's long term mission in accordance with DOE Acquisition Letter 2000-08 of August 18, 2000.

Recommendations and Approval

This document accurately represents the best thinking and efforts of the Project's IPT to understand the full range of project risks and alternatives available to accomplish the Project scope.

No barriers or impediments to executing this AS, as detailed, exist at this time and the AS is in the best interest of the Department and National Policy.

If new information or facts arise which could have significant impact on the Project's cost, schedule or performance, NNSA/LASO will make the Program Secretarial Officer and OECM aware of this on a timely basis.

The AS may be changed if it makes good business sense to do so. Any changes will be justified and documented. Material changes to the AS such as changes in contract type, competition or major milestones must be documented and approved at the same approval level as the original.

Recommend Approval:

Everett Trollinger, Federal Project Director Date Dan Saiz, Contracting Officer Date

Approval:

DOE PSO/National Nuclear Security Administration Deputy/Associate Administrator Date

(NOTE: *The Program Office Project Management Support Office electronically submits the AS in Microsoft Word to ESAAB.SECRETARIAT@hq.doe.gov at least 3 weeks prior to any scheduled decisional briefings. OECM/for OMBE will provide a recommendation memo to the approving official. Additionally, OECM is available to review draft ASs after the Project Director, Contracting Officer and Program Office Project Management Support Office staff have reviewed the Draft AS.*

Approval of this AS does not constitute approvals required by DOE HQ Office of Procurement and Assistance Management for specific contract clearance purposes, including contract acquisition plans under Federal Acquisition Regulation Part 7.)